ESSEX COMMUNICATIONS, INC.

ATTACHMENT IV

Financial Statement of Parent Corporation, eLEC Communications Corp.

Form 10-K for Fiscal Year Ended November 30, 1999

Form 10-Q for Quarter Ended February 29, 2000

ESSEX COMMUNICATIONS, INC.

ATTACHMENT IV

Financial Statement of Parent Corporation, eLEC Communications Corp.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File No. 0-4465

eLEC COMMUNICATIONS CORP.

(Exact name of Registrant as specified in its charter)

New York	13-2511270
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)
509 Westport Avenue, Norwalk, Connecticut	06851
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (203) 750-1000.

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.10 per share

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ____

As of February 15, 2000, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $46,098,656.

As of February 15, 2000, there were 11,524,664 shares outstanding of the Registrant's Common Stock.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the Registrant's 2000 Annual Meeting of Stockholders are incorporated by reference into Part III.

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The statements contained in this Report that are not historical facts are "forward-looking statements" which can be identified by the use of forward-looking terminology, such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements, that such statements, which are contained in this Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting the Company's operations, markets, growth, services, products, licenses and other factors discussed in the Company's other filings with the Securities and Exchange Commission, and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing the Company, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, performance or achievements of the Company, or industry results, to differ materially from those contemplated by such forward-looking statements include, without limitation: (1) the availability of additional funds to successfully pursue the Company's business plan; (2) the Company's ability to maintain, attract and integrate internal management, technical information and management information systems; (3) the time and expense to construct the Company's planned network operating center and digital subscriber line network; (4) the cooperation of incumbent carriers in implementing the unbundled network elements platform required by the Federal Communications Commission; (5) the Company's ability to market its services to current and new customers and generate customer demand for its products and services in the geographical areas in which the Company can operate; (6) the Company's success in gaining regulatory approval to access new markets; (7) the Company's ability to negotiate and maintain suitable interconnection agreements with the incumbent carriers; (8) the availability and maintenance of suitable vendor relationships, in a timely manner, at reasonable cost; (9) the impact of changes in telecommunication laws and regulations; (10) the intensity of competition; and (10) general economic conditions. All written and oral forward looking statements made in connection with this Report that are attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Part I

In this Annual Report on Form 10-K, we will refer to eLEC Communications Corp., a New York Corporation, as "eLEC," the "Company," "we," "us," and "our."

Item 1. - Business

Overview

eLEC Communications Corp. is a full-service telecommunications company that focuses on developing integrated telephone service in the emerging competitive local exchange carrier industry. We offer an integrated set of telecommunications products and services, including local exchange, local access, domestic and international long distance telephone, calling cards, paging, Internet access, dedicated access, Web site design, Web site hosting, Internet-based yellow-pages directory listings and other enhanced and value-added telecommunications services tailored to meet the needs of our

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customers and the growing marketplace demand from small- and medium-sized businesses for reliability and speed. As part of our nationwide expansion plan, we have completed the deployment of our first network node in a planned 18-node build-out to provide high speed Internet access via digital subscriber lines ("DSL"), and for the anticipated provisioning of Voice over DSL.

We believe that the Telecommunications Act of 1996 (the "Telecommunications Act"), which opened the local exchange market to competition, has created an attractive opportunity for competitive local exchange carriers ("CLECs"), such as eLEC. Like most CLECs, our entry in this industry was dependent upon the provisions of the Telecommunications Act that allow CLECs to lease various elements of the networks of the incumbent local exchange carriers ("ILECs") that are necessary to provide local telephone service in a cost-effective manner. This aspect of the Telecommunications Act is referred to as "unbundling" the ILEC networks, and allows us to lease unbundled network elements on an as-needed basis and provide such elements to our customers at a lower cost than that which the ILEC is charging.

The majority of our installed access lines are provisioned on the unbundled network elements platform ("UNE-P"). We believe that the use of this platform is the most cost-effective manner in which we can provide voice service. Other CLECs have invested a substantial amount of capital to buy switches and rollout fiber, only to find that their equipment is severely underutilized and that there is a significant shortfall in their revenue stream when compared to their capital investment. We refer to this strategy as a "facilities-first" strategy, because the CLEC has invested in its equipment and placed the equipment in service before the CLEC has developed a customer base. Our strategy is a "customer-first," or a "deferred-build" strategy. We therefore lease facilities on an as-needed basis from ILECs while we build our customer base. After we have a substantial geographical concentration of customers, we make decisions regarding the purchase and installation of our own network equipment. This strategy allows us to be very flexible with our customer base as we grow our business. We can move our customer base to alternative access, if appropriate, and we do not become a captive of our own underutilized equipment, as can happen with a "facilities-first" CLEC. The technological advances in equipment and the lowering of equipment prices have validated our deferred-build strategy and have enabled us to preserve our capital.

Our strategy for building our data network is similar to our strategy for building our voice network. We currently provide dial-up access and dedicated access on our own network in Connecticut, where we have a geographical concentration of customers, and we lease facilities from another Internet service provider to provide our customers with nation-wide dial-up access. As of February 15, 2000, we have installed one Point of Presence ("POP") in Miami, Florida for high-speed Internet access via DSL and for Voice over DSL. We chose the Miami location because we have, through an affiliated company, an established customer base in the Miami area of approximately 2,000 customers. We are planning to build out an 18-node data network throughout the East coast to carry DSL and Voice over DSL to our customer base.

We believe we can provide competitive service in every state in which we can utilize UNE-P and we plan a nationwide rollout to take advantage of a recent Federal Communications Commission ("FCC") ruling mandating the UNE-P service offering. Our marketing and expansion efforts are focused primarily on states that have quickly adopted the UNE-P service offerings, which initially included the nine states served by BellSouth Corporation ("BellSouth"), plus New York and Massachusetts. Under UNE-P, we can provide service with significantly lower capital requirements than either fiber-based or wireless CLECs, and offer our services to a broader customer base faster and at a lower cost. The ability to quickly provision accounts and to deliver reliable service at a lower cost than offered by the ILECs should provide us with certain competitive advantages as we market our services to small- and medium-sized businesses.

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Development of Business

The Company was incorporated in the state of New York under the name Sirco Products Co. Inc. in 1964, and we subsequently changed our name to Sirco International Corp. We initially developed a line of high quality handbags, totes, luggage and sport bags to be sold at competitive prices. In 1995, we divested our handbag operations, which had experienced several years of operating losses. Although we were profitable in fiscal 1996, declining revenues in our next two fiscal years, combined with operating losses, forced us to analyze other business opportunities. In August 1997, to help bolster luggage division sales and to provide a channel of distribution to a mobile customer base that would be a potential target for online Internet sales, we acquired a retail operation, Airline Ventures, Inc. ("AVI"), which sells travel and aviation related products to professional airline crew members.

In October 1997, we made our first investment in a CLEC, Access One Communications, Inc. ("Access One"), when we purchased approximately 28% of Access One's outstanding capital stock. Access One was a newly-formed CLEC with approximately 2,000 installed local access lines that looked to us for growth capital to meet its business plan. Our Board of Directors believed that Access One's "customer-first" growth strategy of obtaining a customer base first and later building an equipment network around a geographically concentrated customer base was a compelling strategy that would utilize capital wisely and yield high valuations in the future. At February 15, 2000, we were the largest shareholder of Access One, owning approximately 21% of Access One's capital stock. Access One has advised us that, at February 15, 2000, they had approximately 60,000 installed local access lines.

We commenced operations in the telecommunications industry in fiscal 1998 by acquiring on February 27, 1998, Essex Communications, Inc. ("Essex"), a newly-formed CLEC formed to attract and retain a geographically concentrated customer base in the metropolitan New York region, primarily through the resale of products and services of incumbent and alternative facilities-based local providers. We provisioned our first line in May 1998 and, including lines for which we have contracts to install, we had over 20,000 lines as of February 15, 2000. Essex has customers in Florida, Massachusetts, New York, New Jersey and Virginia.

In furtherance of our telecommunications strategy, on August 14, 1998, we acquired WebQuill Internet Services, LLC ("WebQuill"), an Internet service provider ("ISP") based in Connecticut. WebQuill is a full-service, value-added ISP providing national dial-up access, dedicated access, high-speed DSL access, Web site design, Web site hosting, Internet-based yellow-pages directory listing, and E-commerce sites.

Due to our increased focus on E-commerce sites, Internet access and telecommunications services, and the significant decrease in luggage division sales in recent fiscal years, our Board of Directors decided in July 1999 to divest the Company's luggage division, and we sold a substantial portion of the assets of our U.S. luggage operations in August 1999. Since such time, we have liquidated the remaining operating assets of our U.S. and Canadian luggage businesses. Our luggage segment has been classified as a discontinued operation in our income statement, and this segment has reported significant net operating losses for each of the last three fiscal years. See Note 8 of the Notes to Consolidated Financial Statements.

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To signify our new business focus, we recommended, and in November 1999 our shareholders approved, a name change to eLEC Communications Corp. Our main business focus had changed to the local exchange market, which is estimated to be more than $50 billion in annual revenues and one of the most profitable segments in the communications industry. With this new focus, we wanted our company name to include the letters LEC, representing our focus on being a local exchange carrier. However, in this electronic age and with our wholly-owned ISP to provide Internet access, DSL services and Web site design and hosting, we believed the term "e" LEC more appropriately described our new business operations. We consequently changed our name to eLEC Communications Corp., our ticker symbol to ELEC and our domain name to www.elec.net.

In January 2000, we acquired a New Jersey-based CLEC, Telecarrier Services, Inc. ("Telecarrier"). Telecarrier currently operates as a CLEC in the states of Massachusetts, New Jersey, New York and Rhode Island. It also resells long distance service in 13 states. The addition of Telecarrier is an important step in creating an additional marketing channel for eLEC. See "Sales and Marketing Strategies."

Information concerning sales, business segment operations and identifiable assets attributable to each of our reportable industry segments can be found in Note 9 of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

eLEC's Telecommunications Services

We tailor our service offerings to meet the specific needs of small businesses, not-for-profit organizations, governmental agencies and other institutional customers in our target markets. We primarily market our services through three different distribution channels. We use third-party telemarketers to attract small-business accounts (typically two to ten lines in size), we use third-party agents and interconnect companies to attract medium-sized business accounts (typically ten to 100 lines in size), and we use our own management team to attract wholesale accounts (typically 100 lines or more in size). Based upon feedback received from our customers and analysis of the types of services the entities in each of these groups need, we tailor a basic telecommunications service package, which can be promptly adjusted to the specific needs of individual customers. We creatively package our services to provide "one-stop shopping" solutions for our customers, so they can purchase all their communications services directly from us. Listed below are the basic categories of services that we offer:

o Local Exchange Services. We offer local exchange services, starting with local dial tone, plus numerous features, the most common of which are call waiting, call forwarding, caller ID and dial back features. By offering local dial tone, we also receive originating and terminating access charges for interexchange calls placed or received by our subscribers.

o Long Distance. In addition to our local telephone service, we offer long distance services as part of a bundled product to customers through agreements we have with a national long distance carrier. The long distance services include domestic service, such as interLATA, which are calls that pass from one "Local Access and Transport Area" or "LATA" to another LATA, and intraLATA, which are calls that stay within the LATA in which they originated, but are beyond the distance limits of the local calling plan. Our services also include international calling, toll-free services (800, 888, 877), calling card and other enhanced services.

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o Internet and Data Services. We offer dedicated and dial-up Internet access services via conventional modem connections, integrated services digital networks, T-1s and higher speed dedicated connections. In addition, we have installed our first node to carry DSL services, and we plan to offer Voice over DSL before the end of fiscal year 2000.

o Web Site Design and Hosting Services. We offer Web site design services and Web site hosting on our own computer servers to provide customers with a complete, user-friendly product for presence on the World Wide Web. We have built and are currently providing for our customers E-commerce sites, an interactive comparative insurance rater site, and an interactive auction site.

o Yellow Pages Directory Services. Our local telephone service customers are given a free Web page for six months in our Internet yellow pages directory. This page is also sold for $24.95 per month to non-telephone customers. The site is accessed by more than 80% of Internet search engines, and offers links to other sites and the ability for our customers to receive a fax or email message directly from the user who has found the site. In the second quarter of fiscal 2000, we intend to market this product on a wholesale basis for business-to-business applications.

o Facilities and System Integration Services. We offer individual customer consultation services with regard to the design and implementation of complete telecommunications systems to meet customers' specific needs, including the selection of customer premises equipment, interconnection of local area networks and wide area networks, and implementation of virtual private networks.

o Hosted Applications. We plan to offer hosted applications to our customers, especially to small-sized businesses that do not have the resources to hire their own management information services director. We anticipate that such application hosting will be important to entities that use high-speed Internet access services, such as DSL, and will help differentiate us from other DSL providers that only provide access services.

Business Strategy

Our goal is to be a premier facilities-based integrated communications provider to small- and medium-sized businesses. We are taking the following action steps in order to achieve this goal:

o Target Small- and Medium-sized Businesses. We focus our telecommunications sales efforts for local and long distance services on small- and medium-sized businesses having two to 100 business lines in any one location. We believe that these customers prefer a single source for all their telecommunications services. We have chosen to focus on this segment based on our ability to obtain ample gross margins on UNE-P for the services provided to these customers. We also believe that, as compared to larger businesses, the ILECs and facilities-first CLECs may be less likely to apply significant resources to obtaining or retaining these customers. We expect to attract and retain these customers through telemarketers and agents, by offering bundled local and long distance services at competitive rates, as well as enhanced telecommunication services, by responsive customer service and support and by offering new and innovative products, such as our yellow pages directory Web sites known as QuillPages.

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o Achieve Market Share with Competitive Pricing. We always price our services at a discount to the exact same services provided by an ILEC. We believe we know what the ILECs charge because we have access to the rates they have filed with the various state public service commissions, and we typically review the telephone bill of a potential customer before we switch them to our network so that we are aware of the prices they were paying and of any contractual obligations. We anticipate that some ILECs may reduce their prices as increased competition begins to erode their market share. We believe, however, that we will be able to compete as prices decrease, because of our low network costs and because we will be providing a variety of bundled telecommunications services and will not have to rely on price alone to maintain our core customer base.

o Develop Brand Awareness. With the change of our name to eLEC Communications Corp., we are applying for the right to do business under the brand name eLEC Communications in all of the states in which we operate. We want to invoice the customers of our wholly-owned subsidiaries, Essex, WebQuill and Telecarrier, under the eLEC Communications name, and use the eLEC name to create and develop a brand awareness in the territories in which we operate. We are positioning eLEC as a high quality, service-orientated company that provides reliable telecommunications quality, service and advice at competitive prices.

o Rapidly Deploy New Customers. We intend to take advantage of our ability to rapidly provision new accounts in our existing service areas, and to rapidly enter new service areas because of our low capital requirements to enter new states. Our choice of states on which to focus will depend on when the particular state adopts the use of UNE-P. We anticipate that Pennsylvania and Texas will be the next two major states that we target. We typically provision a new account within two or three days after we have received a letter of authorization to place a new customer on our network. We know of no facilities-first carrier that can provision lines this quickly.

o Provide our Customers More than Local Telephone Services. Although our focus is on the more than $50 billion local exchange market, and we anticipate that the sales growth and margins associated with this market will represent our core business, the additional products and services we offer, including Internet access, email addresses, Web site design and Web site hosting, yellow pages directory listing, DSL access, applications hosting and virtual private networks, will be an important attraction to our customers. We believe the more services we can provide, the more integral we will become to our customers.

Sales and Marketing Strategies

We offer an integrated package of local exchange, local access, domestic and international long distance, and calling cards and a full suite of Internet access, Web site design and Web site hosting to small- and medium-sized businesses. Virtually all of our customers have no telecommunications manager and look to us to suggest an appropriate telecommunications solution. Each account is assigned a customer service representative and we answer the telephone during business hours with a live person instead of sending our customers through several voice mail loops before reaching a person to whom they can speak. We have a three-tiered sales and marketing strategy to sell to our target market.

o Telemarketing Programs. We use third-party telemarketing firms to sell our smaller accounts. Most accounts in this group choose our telephone service because they do not like the customer service they receive from their ILEC and because they will save money using our services. We have proven that this strategy works for us, as almost all of our first 10,000 customer lines

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came from the telemarketing channel, and most of the organic growth at our affiliate, Access One, came from third-party telemarketers. This method allows us to keep our marketing costs variable-based and minimizes the need to have fixed overhead committed to our sales force.

o Agent and Interconnect Company Programs. We also use agents and interconnect companies to generate leads for new customers. We pay a success fee to the agents and interconnect companies for recommending our services. Most of these referrals are current equipment customers or long distance customers of the agent or interconnect company. Therefore, it is important that the agents and interconnect companies understand the benefits of the services that we offer because they do not want to tarnish an existing customer relationship by inappropriately recommending us. We find that our pricing and the flexibility of our services, combined with our special customer service group for the interconnect companies, allows us to satisfy the needs of the referrals we receive in this distribution channel. Two executives from our recently acquired subsidiary, Telecarrier, have extensive established business relationships with interconnect companies. Many of their current accounts were referrals from established business relationships, and we believe our Telecarrier employees will continue to develop for us this market segment.

o Wholesale Programs. We offer special wholesale pricing for accounts with several hundred local access lines. One such customer has agreed to provide us with a minimum of 9,000 local access lines, and we anticipate that during fiscal 2000 we will be able to attract other wholesale customers who will bring us thousands of new lines. We use a direct sales effort to sell in this market. Separate customer service representatives are assigned to support this customer base.

This sales and marketing strategy minimizes the need for us to invest in fixed sales and marketing overhead. Unlike the facilities-first CLECs, who need to rapidly attract customers for their underutilized telecommunications equipment, and who invest substantial amounts of salary and rent expense to open sales offices in their targeted markets, we do not have the same pressure to find qualified leads for our facilities. Furthermore, under UNE-P, our reach is ubiquitous, as we can serve any customer that is being served by the ILEC. A facilities-first CLEC typically searches only for customers that it can provision on the switches and fiber that it has installed in the hope of finding customers to utilize such equipment. Consequently, we believe our deferred-build strategy not only saves us from unnecessarily building a network without customers, it also allows us to more wisely expend our sales and marketing dollars by limiting the amount of fixed overhead that is required to rapidly grow our business.

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Competition in the Telecommunications Industry

Local Telecommunications Market

The local telecommunications market is a highly competitive environment and is dominated by the Regional Bell Operating Companies ("RBOCs") and other ILECs. Based upon the geographical locations in which we currently sell services, Bell Atlantic Corporation ("Bell Atlantic") and BellSouth are our largest competitors. Both entities have "win-back" programs through which they approach former customers lost to a CLEC or other competitor in an attempt to have the former customers switch back to the RBOC. Most of our actual and potential competitors, including most of the facilities-first CLECs, have substantially greater financial, technical, marketing and other resources (including brand name recognition) than we do. Furthermore, the continuing trend toward business alliances in the telecommunications industry and the lack of substantial barriers to entry in the data and Internet services markets could help to generate substantial new competition. We anticipate that we will be able to compete based upon our pricing, reliability, customer service and rapid ability to provision accounts and respond to customer requests. Our established competitors, such as the RBOCs, are able to compete effectively because they have long-term existing relationships with their customers, strong name recognition, abundant financial resources, and the ability to cut prices of certain services by subsidizing such services with revenues generated from other products. Although the Telecommunications Act reduced barriers to entry into the local market, future regulatory decisions could provide RBOCs with more pricing flexibility, which would result in increased price competition.

We also face competition in the local market from new entrants to the fixed wireless market, such as Winstar Communications, Inc., Teligent, Inc. and NextLink Communications, Inc. Many of these entrants have the strategy of bypassing the RBOCs in order to provide local access to their customers. By not having to rely on the RBOC for local service connections, the fixed wireless companies are able to keep more of their sales dollar for themselves. However, if this access method becomes more price competitive and reliable, we believe we will have the flexibility, with our current local customer base, to switch all or a portion of our customer base to the wireless facilities by negotiating appropriate terms with one or more wireless carriers.

In addition to competition from RBOCs, other CLECs and wireless entities, several other entities currently offer or are capable of offering local service, such as long distance carriers, cable television companies, electric utilities and microwave carriers. These entities, upon entering into appropriate interconnection agreements or resale agreements with ILECs, can offer single source local and long distance services like those we offer. For example, long distance carriers, such as AT&T Corp., MCI WorldCom and Sprint Corporation, among other carriers, have each begun to offer local telecommunications services in major U.S. markets using the unbundled network elements platform or by reselling the ILECs' services.

Long Distance Telecommunications Market

The long distance market, in comparison to the local market, has relatively insignificant barriers to entry and has been populated by numerous entities that compete for the same customers by frequently offering promotional incentives and lower rates. We compete with numerous such companies who do not offer any service other than long distance, and we compete with established major carriers such as AT&T and MCI WorldCom. We believe our bundled package of local services and a variety of data services will help us compete in this

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market. We will also have to maintain high quality and low cost services to compete effectively. In many instances, we must be in a position to reduce our rates to remain competitive. Such reduction could be harmful to us if we do not also provide other services to our long distance customers. With the advent of long distance voice services over the Internet, and our launch of Voice over DSL during fiscal year 2000, we anticipate substantial price reductions in long distance services for those customers who purchase a bundled package from us that includes routing the long distance voice traffic over the Internet.

Internet and Other Data Services

The Internet and data service industry is intensely competitive. We receive significant competition in the delivery of Internet services to small-and medium-sized businesses, our target market. Other ISPs, ILECs and CLECs are attempting to provide various dial-up, dedicated and high-speed Internet access services. We believe we can remain competitive to a certain niche because we also provide Web site design, Web site hosting, E-commerce sites, auction sites, yellow-pages service directory, DSL services and hosted applications, in addition to being a local telecommunications company. We anticipate that this diverse product range will help us attract new customers and reduce customer churn.

Government Regulation

Local and long distance telecommunications services are subject to regulation by the FCC and by state regulatory authorities. Among other things, these regulatory authorities impose regulations governing the rates, terms and conditions for interstate and intrastate telecommunications services and require us to file tariffs for interstate and international service with the FCC and obtain approval for intrastate service provided in the states in which we currently market our services. We must obtain and maintain certificates of public convenience and necessity from regulatory authorities in the states in which we operate. We are also required to file and obtain prior regulatory approval for tariffs and intrastate services. In addition, we must update or amend the tariffs and, in some cases, the certificates of public convenience and necessity, when rates are adjusted or new products are added to the local and long distance services we offer. Changes in existing laws and regulations, particularly regulations resulting in increased price competition, may have a significant impact on our business activities and on our future operating results. We are also subject to Federal Trade Commission regulation and other federal and state laws relating to the promotion, advertising and direct marketing of our products and services. Certain marketing practices, including the means to convert a customer's long distance telephone service from one carrier to another, have recently been subject to increased regulatory review of both federal and state authorities. Even though we have implemented procedures to comply with applicable regulations, increased regulatory scrutiny could adversely affect the transitioning of customers and the acquisition of new customer bases. Amendments to existing statutes and regulations, adoption of new statutes and regulations and expansion of our operations into new geographic areas and new services could require us to alter our methods of operation or obtain additional approvals, at costs which could be substantial. There can be no assurance that we will be able to comply with applicable laws, regulations and licensing requirements. Failure to comply with applicable laws, regulations and licensing requirements could result in civil penalties, including substantial fines, as well as possible criminal sanctions.

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Backlog

When we invoice our customers for our telecommunications services, we invoice features and services in advance and usage in arrears. Due to the nature of our contractual agreements with the RBOCs, there is typically only an immaterial amount of backlog of unprovisioned customers at any given time, as a customer is typically switched from the RBOC to our network within two days of processing the provisioning order. As of February 15, 2000, we had orders from two customers for approximately 14,000 lines for which we were waiting to receive the provisioning information. Such lines may take up to one month to provision because of the large quantity of lines requested to be provisioned from just two customers. We are working with our customers to provision blocks of lines at a time so that there is an orderly transition of lines to our network.

eLEC's Retail Services

Our retail division is operated by our wholly-owned subsidiary, AVI, which is headquartered in Dallas, Texas. The objective of our retail division is to be a leading supplier of travel-related and telecommunications products to pilots and flight attendants. We operate in three retail stores that sell travel-related products primarily to American Airline employees, including the official pilot uniform and study guides for pilots. The stores also sell identification cards, uniform supplies and travel needs to flight attendants. In addition, the stores rent pagers to flight attendants who are on reserve duty and offer Internet access services and local and long distance telephone services. We plan to use the knowledge and experience gained with American Airlines to provide similar products and services to employees of other airlines and to develop effective E-commerce sites.

We believe professional airline crew members are excellent targets for online retail purchases, as they are constantly mobile and frequently stay in touch with family and job-related duties via the Internet. We have developed and will continue to develop E-commerce sites to augment our in-store sales with sales to these and other online purchasers. We currently market our travel related products through the E-commerce sites, www.avishop.com and www.800bags.com.

The target market for the retail division is professional airline crew members. Currently, we sell to pilots and flight attendants from American, Delta and Southwest Airlines. The business with American Airlines is the largest, as it includes selling the American Airlines pilot uniform and various approved apparel for both pilots and flight attendants. Two of the three retail locations we utilize are leased from American Airlines. Retail sales employees service walk-in customers and phone orders, and warehouse personnel process Internet orders.

The sale of product to crew members has not demonstrated any seasonality, as the customers are using the products on a daily basis as part of their normal work routine.

Our retail division operates without a backlog, as Internet orders and catalog orders are typically shipped within one day of receipt.

We purchase products for our retail division from various domestic suppliers who have license agreements to sell product displaying the American Airlines, Inc. logo or trade name. We also buy non-logo product from a variety of domestic sources.

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The competition for retail sales to professional airline crew members is highly fragmented and has few barriers to entry. Our ability to compete effectively is directly related to the level of cooperation and publicity that airlines generate for our retail outlets. Currently, we enjoy an advantage with American Airlines because we are allowed to sell certain products to American Airlines' employees on a payroll deduct program and we are allowed to sell pilot uniforms. These agreements, in addition to two leases from American Airlines for retail sites in Dallas, Texas, help to limit the extent of competition in the Dallas area. However, we compete nationwide against several online retailers and against retail stores in various cities that are important airline hubs.

Intellectual Property

We rely on a combination of copyright, trademark and trade secret laws and contractual restrictions to establish and protect our intellectual property. We do not currently have any registered copyrights or trademarks. All key employees have signed confidentiality agreements and we intend to require each newly hired employee to execute a confidentiality agreement. These agreements provide that confidential information developed by or with an employee or consultant, or disclosed to such person during his or her relationship with us, may not be disclosed to any third party except in certain specified circumstances. These agreements also require our employees to assign their rights to any inventions to us. The steps taken by us may not, however, be adequate to prevent misappropriation of our proprietary rights or technology.

We use several service marks in our business and intend to apply to register such service marks to protect our usage of such marks. There can be no assurance that we will be able to secure significant protection for all or any of our service marks. Our competitors or others could adopt product or service marks similar to our marks, or try to prevent us from using our marks, thereby impeding our ability to build brand identity and possibly lead to customer confusion.

We have received correspondence from an unrelated third party claiming that our use of the mark "Essex" in connection with telephone services infringes one of the company's United States registered trademarks and requesting that we cease and desist from using the Essex mark. We have responded by denying any infringement and no legal proceedings have been commenced against us with respect to this matter.

We are also aware of several other parties that use marks that are the same or similar to marks that we use, though in most instances, to the best of our knowledge, these parties are not in the same business as we are. There can be no assurance that others with marks similar to our marks will not bring suit to prevent us from using a particular mark. Defending or losing any litigation relating to intellectual property rights could materially adversely affect our business, results of operations and financial condition.

Other Affiliates

In addition to our investment in Access One, we have made investments in other entities for which we have performed Web site design services and may have future strategic relationships. At February 15, 2000, we had investments in the following entities: (See Note 14 of Notes to Financial Statements).

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RiderPoint, Inc. RiderPoint specializes in the development of comparative rating insurance software and sells motorcycle insurance through its wholly-owned subsidiary, RP Insurance Agency, Inc. RiderPoint provides fully integrated insurance solutions for carriers, agents, dealers and consumers through its innovative integration of the insurance process with Internet technology. Through its comparison rating insurance Web site, www.riderpoint.com, consumers are able to receive instant online motorcycle insurance quotes from top-rated insurance carriers, which gives the consumer the ability to comparatively shop for and purchase motorcycle insurance at one location.

SkyClub Communications Holding Corp. SkyClub offers digital satellite systems for the reception of direct television (over 200 channels of programming) and high speed Internet services. SkyClub features direct to home (DTH) satellite products from Hughes Network Systems, RCA, Sony and other licensed DIRECTV manufacturers. SkyClub markets satellite services that include DirecTV and DirecPC's Turbo Internet, which provides customers with high-speed (up to 400 Kbps) Internet services. SkyClub also recently began offering DIRECTV PARA TODOS(TM) to Spanish speaking communities.

Employees

At February 15, 2000, we employed 63 employees, of which 59 were employed on a full-time basis and five were employed on a part-time basis. At such date, 17 of our employees were employed in our executive offices in Norwalk, Connecticut; 28 were employed in Melville, New York, at our wholly-owned subsidiary, Essex; 12 were employed in our retail division stores in Dallas, Texas; five were employed in Edison, New Jersey, at our telecommunications subsidiary, Telecarrier; and one was employed in Mississauga, Canada. We are not subject to any collective bargaining agreement and believe that our relationship with our employees is good.

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Item 2. - Properties

The following table sets forth pertinent facts concerning our material properties at February 15, 2000, all of which are owned or leased by us or one of our subsidiaries:

<TABLE>
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Property Owned:

Location	Use	Approximate Square Feet
<S>	<C>	<C>
1321 Blundell Road Mississauga Ontario, Canada L4Y 1M6	Rental property (2)	35,000 (leases out 35,000 SF)

<CAPTION>
Properties Leased:

Location	Use	Approximate Square Feet	Lease Expires	Annual Rent (1)
<C>	<C>	<C>	<C>	<C>
509 Westport Ave Norwalk, CT 06851	Executive Office	14,000	2/28/05	$132,000
48 South Service Road Melville, NY 11747	Office	5,486	4/30/03	$ 93,000
1090 King Georges Post Rd Edison, NJ 08837	Sales Office	2,500	10/31/01	$ 40,000
24 Richmond Hill Avenue Stamford, CT 06901	Office	3,000	4/06/00	$ 42,000
1930 W. Airfield Drive DFW Airport, TX 75261	Warehouse	2,000	7/31/00	$ 39,000
Terminal C DFW Airport, TX 75261	Retail	1,700	8/24/00	$ 30,000
8412 Sterling Suite B Irving, TX 75063	Warehouse	2,470	9/30/00	$ 15,000
37 North Avenue Norwalk, CT 06851	Office	2,400	expired	$ 38,400

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(1) We are required to pay our proportionate share of any increase during the term of the lease in real estate taxes and expenses of maintaining the premises computed on the basis of the percentage of the total square footage of the premises occupied by us.

(2) The property owned in Mississauga, Canada was formerly used as a warehouse for our luggage operations that have been discontinued. It is fully rented to two tenants.

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Our owned and leased space is fully utilized for the purposes set forth in the table above under the caption "Use," except for the new space in Norwalk, Connecticut which is currently being developed as our new executive offices and a network operating center. We believe the existing properties are suitable and adequate for our existing business.

Item 3. - Legal Proceedings

Other than the license and regulatory proceedings that routinely occur for telecommunication entities, as described under "Government Regulation," we are not currently a party to any legal proceeding that we believe will have a material adverse effect on our financial condition or results of operations.

Item 4 - Submission of Matters to a Vote of Security Holders

We held our 1999 Annual Meeting of Shareholders on November 10, 1999. The following are descriptions of the matters voted on and the results of such meeting:

	Number of Shares		
Matter Voted On	For	Against	Abstain
1. Election of Directors			
Joel Dupre	9,895,868		44,496
Eric M. Hellige	9,897,968		42,396
Paul H. Riss	9,896,978		43,386
Anthony Scalice	9,896,978		43,386
2. Proposal to change the name of the Company to eLEC Communications Corp.	9,907,332	30,332	2,700
3. Approval of an amendment to the Sirco International Corp. 1995 Employee Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 1,200,000 shares.	5,581,798	242,234	9,200

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Part II

Item 5. - Market for the Company's Common Equity and Related Stockholder Matters

Our common stock trades on The Nasdaq Small Cap Stock Market(R)under the symbol ELEC. The high and low sales price for each quarterly period of our last two fiscal years are listed below:

		High	Low
Fiscal 1998			
	1st Quarter	$5.750	$1.563
	2nd Quarter	7.188	3.563
	3rd Quarter	6.750	1.000
	4th Quarter	1.969	0.656
Fiscal 1999			
	1st Quarter	$4.000	$0.750
	2nd Quarter	6.000	1.250
	3rd Quarter	2.594	1.313
	4th Quarter	3.219	1.250

As of February 15, 2000, there were 215 holders of record of the common stock and approximately 3,200 beneficial holders.

We have not declared any cash dividends during the past fiscal year with respect to the common stock. The declaration by our Board of Directors of any cash dividends in the future will depend upon the determination of as to whether, in light of our earnings, financial position, cash requirements and other relevant factors existing at the time, it appears advisable to do so. We do not plan to declare any dividends on our common stock in the foreseeable future.

During the fourth quarter of fiscal 1999, we acquired from RiderPoint, Inc. 500,000 shares of common stock of RiderPoint, Inc., in consideration of the issuance by us of 300,000 shares of our common stock; we issued 1,255,555 shares of our common stock, in conjunction with a private placement to raise $1,412,500; we issued 100,000 shares of our common stock to the former shareholders of Essex in conjunction with the attainment of certain performance objectives agreed to in connection with the acquisition of Essex; We issued 272,000 shares of our common stock to Joel Dupre, the Chairman of the Board to cancel indebtedness to Mr. Dupre and others; and we issued 69,000 shares of our common stock in conjunction with the acquisition of Peconic Telco, Inc. Such transactions were effected pursuant to Section 4(2) of the Securities Act of 1933, as amended.

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Item 6. - Selected Financial Data

The following selected financial information has been taken from our consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this report.

<TABLE>
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	Fiscal Years Ended November 30,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Earnings Statement:					
Net Sales	$ 4,170	$ 1,485	$ 276	$ --	$ --
Gross Profit	1,167	541	92	--	--
Income(Loss) From C ontinuing Operations Before Provision for Income Taxes	(3,562)	(2,204)	(105)	--	--
Income(Loss) From Discontinued Operations	(3,943)	(2,772)	(2,763)	622	(996)
Net Income (Loss)	(7,506)	(4,977)	(2,868)	622	(996)
Net Income (Loss) From Continuing Operations per Common Share:					
Basic	(0.41)	(0.43)	(0.03)	--	--
Diluted	(0.41)	(0.43)	(0.03)	--	--
Cash Dividends	--	--	--	--	--
Balance Sheet:					
Working Capital	$ (101)	$ 334	$ 5,107	$ 1,553	$ 1,142
Property, Plant, Equipment	212	835	827	888	650
Total Assets	7,297	11,029	14,042	9,577	10,013
Long-Term Debt(Less Current Maturities)	198	291	4,522	348	590
Stockholders' Equity	3,458	3,754	3,216	2,780	1,897

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Item 7. - Management's Discussions and Analysis of Financial Condition and Results of Operations

Certain statements set forth below under this caption constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to page 3 of this Annual Report on Form 10-K for additional factors relating to such statements.

Item 7. Management's Analysis and Discussion of Financial Condition and Results of Operations

Fiscal Year 1999 Compared to Fiscal Year 1998

Continuing operations

Net sales for fiscal 1999 increased by approximately $2,686,000 or approximately 181%, to approximately $4,170,000 as compared to approximately $1,484,000 reported in fiscal 1998. The following table presents our net sales by industry segment for the fiscal years ended November 30, 1999 and 1998:

<TABLE>
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	Fiscal years ended November 30,		
Industry segment	1999	1998	Increase
<S>	<C>	<C>	<C>
Retail sales	$1,895,000	$1,111,000	$ 784,000
Telecommunications	2,275,000	373,000	1,902,000
Total	$4,170,000	$1,484,000	$2,686,000

</TABLE>

Net sales of our telecommunications division, which consisted of the operations of Essex and WebQuill, increased by approximately $1,902,000, or approximately 510%, to approximately $2,275,000 in fiscal 1999 as compared to approximately $373,000 in fiscal 1998. This increase was attributable to the rapid growth in the number of installed access lines provisioned by us during the third and fourth quarters of fiscal 1999. Installed access lines amounted to approximately 2,400 on August 1, 1999 and grew to approximately 9,100 lines on November 30, 1999. Revenue for each installed access line averages approximately $50 per month.

Net sales of our retail division, consisting of the operations of Airline Venture, Inc. ("AVI"), increased by approximately $784,000, or approximately 71%, to approximately $1,895,000 in fiscal 1999 as compared to approximately $1,111,000 in fiscal 1998. The increase was partially attributable to the acquisition in January 1999 of Tag Air and partially attributable to increased product offerings. AVI operates three retail stores in Texas for professional airline flight crew members and sells pilot uniforms, study guides and travel products. Its products are also sold on the E-commerce sites www.avishop.com and www.800bags.com.

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The Company's gross profit increased by approximately $626,000, to approximately $1,167,000 reported in fiscal 1999 from approximately $540,000 reported in fiscal 1998, and the gross profit percentage decreased to 28% in fiscal 1999 from 36% reported in fiscal 1998. The decrease in gross profit percentage was primarily attributable to the significant increase in sales of our telecommunications division, which has lower margins than our retail sales division. Gross profit percentages amounted to 41% for the retail division and 17% for the telecommunications division, respectively, for fiscal 1999. We expect the retail division's gross margin to continue at its current level and the telecommunication division's gross margin to increase as Essex converts its customer base from a resale service offering to the Unbundled Network Elements Platform ("UNE-P") service offering that is now available through Bell Atlantic Corporation in the States of New York and Massachusetts. Approximately 56% of our customer lines were converted from resale to UNE-P as of November 30, 1999. Furthermore, effective February 17, 2000, the FCC has mandated that the UNE-P service offering be offered in every state. This ruling should help us convert more of our installed access lines to UNE-P and obtain higher gross margins in our telecommunications division. We estimate that in most states, the gross profit achieved from the UNE-P service offering should be approximately 40%, as compared to a resold line, which generates a gross margin of approximately 9%.

Selling, general and administrative expenses increased by approximately $1,559,000, or approximately 132%, to approximately $2,741,000 in fiscal 1999 as compared to approximately $1,182,000 in fiscal 1998. A major portion of the increase was directly attributable to increased labor and facility expenses incurred by our telecommunications division. This increase in expense is directly related to the significant increase in sales in fiscal 1999 as compared to fiscal 1998.

Interest expense from continuing operations amounted to approximately $15,000 in fiscal 1999. There was less than $1,000 of interest expense from our continuing operations during fiscal 1998.

At November 30, 1999, we were the largest shareholder of Access One Communications Corp. ("Access One"), owning approximately 21% of Access One's capital stock. As our investment in Access One is accounted for under the equity method of accounting, we are required to include our portion of Access One's net loss, up to the amount of our investment in Access One, in our results of operations. In fiscal 1999, we have recorded a loss of approximately $1,662,000 as compared to a loss of approximately $1,423,000 in fiscal 1998. We have been advised by Access One that their losses related to funding aggressive customer growth and the related costs associated with hiring employees to provision lines and provide customer service. As a result of the losses, our investment is now carried at $0.

Discontinued operations

On August 11, 1999, we sold certain assets and assigned certain licenses of our domestic luggage division to Interbrand L.L.C., an unrelated accessories company, in furtherance of our previously announced plans to discontinue the operations of our wholesale luggage segment. In addition to purchasing inventory, equipment and other assets, Interbrand also hired certain of our employees, including our current Chairman of the Board, Joel Dupre. Upon being hired by Interbrand, Mr. Dupre resigned his position as our Chief Executive Officer, and we no longer employ him.

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The operating results of our wholesale luggage segment have been accounted for as a discontinued operation and the results of operations have been excluded from continuing operations in our consolidated statements of operations for all periods presented, including the prior period financial statements in which we have restated the operating results of our wholesale luggage segment as a discontinued operation. Interest expense relating to borrowings by our former wholesale luggage segment is included as operating expenses of such discontinued segment. For fiscal 1999, we reported a loss from discontinued operations of approximately $3,179,000 and a loss on disposal of discontinued operations of approximately $764,000. A cumulative loss on foreign currency translation adjustment of approximately $572,000, which formerly was presented as a separate component of shareholder's equity, is now reflected as a loss related solely to the discontinued segment.

Fiscal Year 1998 Compared to Fiscal Year 1997

Net sales for fiscal 1998 increased by approximately $1,209,000 to approximately $1,485,000 as compared to approximately $276,000 reported in fiscal 1997. Net sales of our retail division, consisting of the operations of AVI, increased by approximately $835,000 in fiscal 1998 to approximately $1,111,000 from approximately $276,000 in fiscal 1997 as we reported a full year of retail operations in fiscal 1998 as compared to only three months in fiscal 1997.

Net sales of our telecommunications division amounted to approximately $374,000 in fiscal 1998, its first year of operation. Essex operated as a reseller of local telephone services and value-added products in the states of Connecticut, Massachusetts, New Jersey, New York and Virginia. WebQuill, which was acquired in August 1998, provided dial-up and dedicated Internet access, Web design, hosting and E-commerce development to small-and medium-sized businesses.

Our gross margin increased in fiscal 1998 by approximately $448,000 to approximately $540,000 from approximately $92,000 in fiscal 1997. The gross margin percentage increased to 36% in fiscal 1998, as compared to 33% in fiscal 1997. The increase in gross margin percentage is primarily due to the 44% gross margin from the retail division in fiscal 1998 as compared to 33% in fiscal 1997. The increases both in gross margin and gross margin percentage of the retail division are attributable to the operation of that business for a full year in fiscal 1998, as compared to a partial year of operations in fiscal 1997, which included start-up costs and operational expenses related to establishing appropriate vendor relationships and product offerings. The telecommunications division reported a gross margin of 14% in its first year of operations.

Selling general and administrative expenses increased in fiscal 1998 by approximately $993,000, or approximately 525%, to approximately $1,182,000 from approximately $189,000 reported in fiscal 1997. This increase in expenses was primarily attributable to our telecommunications operations, which were not in operation in fiscal 1997, and to our retail division, which was only in operation for three months in fiscal 1997.

Interest expense amounted to less than $1,000 in fiscal 1998 as compared to no interest expense in fiscal 1997. Both divisions operated without requiring a lending facility.

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At the end of fiscal 1998, we were the largest shareholder of Access One, owning approximately 31%. As our investment in Access One is accounted for under the equity method of accounting, we were required to include our portion of Access One's net loss in our results of operations. For fiscal 1998, we recorded a loss of approximately $1,423,000 relating to our investment in Access One. We have been advised by Access One that Access One's losses in fiscal 1998 were primarily the result of funding aggressive customer growth and the related costs associated with hiring employees to verify and provision lines, to staff a customer service operation and to develop a management information system. In addition, in fiscal 1998, Access One purchased local telephone service from BellSouth at a wholesale discount of 16.8% and passed on almost half of its discount to its customer base. The gross profit on this business was not large enough to cover the selling, general and administrative expenses associated with operating a local telephone company.

Liquidity and Capital Resources

At November 30, 1999, the Company had cash and cash equivalents of approximately $591,000 and a working capital deficit of approximately $101,000, an increase of approximately $239,000 and a decrease of approximately $435,000, respectively, over amounts reported at November 30, 1998. The decrease in working capital resulted primarily from the losses incurred from our former luggage segment and the costs associated with disposing of that segment.

Net cash provided by (used in) operating activities (including discontinued operations) aggregated approximately $610,000, $1,783,000 and ($6,627,000) in fiscal 1999, 1998 and 1997, respectively. The decrease in the net cash provided by operating activities in fiscal 1999 as compared to fiscal 1998 is primarily due to our ability to reduce our accounts receivable balances in fiscal 1998 by approximately $1,289,000, as compared to a reduction in fiscal 1999 of approximately $213,000. Although we disposed of a substantial portion of the assets of our luggage division in August 1999, by November 30, 1999, we were successful in increasing the sales of our telecommunications division and consequently created new accounts receivable balances. The increase in net cash provided by operating activities (which primarily reflected the operations of our discontinued luggage division) in fiscal 1998 as compared to fiscal 1997, primarily reflected a decrease in inventory and accounts receivable offset by the increase in our net loss from operations. The reduction in inventory levels was primarily due to our ability to better manage purchases relative to sales forecasts and the lack of import quota purchase constraints in fiscal 1998 that existed in fiscal 1997. The reduction in accounts receivable primarily reflects tighter credit and collection policies.

Net cash used in investing activities aggregated approximately $95,000, $158,000 and $58,000 in fiscal 1999, 1998 and 1997, respectively. The principal uses of cash from investing activities in fiscal 1999, 1998 and 1997 were for the purchase of fixed assets. In addition, we used approximately $24,000 for the 1999 acquisition of Peconic Telco, Inc. and $150,000 for the 1998 payment of certain obligations in conjunction with the acquisition of WebQuill. In fiscal 1999, 1998 and 1997, the principal sources of net cash provided by investing activities were proceeds from the sale of a subsidiary.